

used in the valuation and judged by its outside actuary to be either the most representative of the employee population or based on actual GTE history.

SFAS-112 involves benefits provided to former or inactive employees after employment but before retirement. These benefits, along with other less significant items, include salary continuation, severance, job training and continuation of health and life insurance. Given the insignificant amounts involved in SFAS-112, GTE has not sought to make an exogenous claim under price cap rules. GTE feels there is no basis in making a comparison between the two calculations, given the difference in benefit types and employees covered and in the level of detail in calculating liabilities between SFAS-112 and SFAS-106.

The exogenous claim could be adjusted for the impact of any future downsizing by the same method as if any other valuation estimate was found to be materially different from actual results. GTE in the *1993 GTE Filings* (at 18) proposed to eliminate the Commission's concern of overrecovery as summarized in the response to paragraph 23. To refresh the record, GTE has resubmitted its 1993 Annual Access Tariff Filings without adjustment. Since this is the first year of recognizing the SFAS-106 impact, downsizing would not be reflected.

(12) Responding to paragraph 28, most of this information is included in the USTA filing referred to in the responses to paragraphs 8 and 9. Other issues are discussed *infra*.

Paragraph 28 requests that GTE respond to the suggestion that part of the growth in GDP-PI occurs due to growth in medical costs. The Commission seeks information on what, if any, adjustment should be made to exogenous requests to avoid double-counting. Any adjustments already made to exogenous requests should be documented. Also, LECs are requested to comment and quantify the impact of wage

changes that will be reflected in GDP-PI that are expected to occur as a result of the introduction of SFAS-106.

The impact of wage adjustments and the impact of the increase in medical costs have both been addressed by GTE in the reduction to its exogenous claim as noted in Attachment VII, Lines 9 and 23. As will be described *infra*, GTE makes a combined 15.2 percent reduction to its exogenous claim representing 14.5 percent related to the expected national wage rate reduction and 0.7 percent due to SFAS-106 costs being reflected in the GNP-PI. This reduction is based on results of the original Godwins study and described in *1993 GTE Filings* (at 22).

In our original Direct Case, GTE noted its concurrence with the Godwins study and included the following statement taken from a letter written by Peter Neuwirth of Godwins to Frank McKennedy of USTA.

As is pointed out in the paragraph, a Price Cap LEC which seeks an exogenous adjustment equal to the entire increase in its costs due to SFAS 106 reduces the risk of "double counting" because the increases in all companies' costs due to SFAS 106 will to some degree already be reflected in the growth of the GNP-PI. In fact, the proportion of the average Price Cap LEC's cost increases due to SFAS 106 that is not reflected in the growth in GNP-PI is precisely what the Godwins study attempts to determine. As shown in item C on page 2 of the Godwins report, only 0.7% of the average Price Cap LEC's cost increase due to SFAS 106 will be reflected in the growth in the GNP-PI. The factors which cause far less than 100% of SFAS 106 costs to be reflected are described on pages 7 - 11 of the report, while the detailed derivation of the 0.7% is described in Section III, pages 12 - 31 of the report.

GTE supports the conclusions reached by Godwins and notes that the current analysis of the original study adds further support to the conservative nature of the study. In their macroeconomic analysis, Godwins found that the national wage rate would eventually be 0.93 percent lower than it would have been in the absence of SFAS-106. Godwins concluded that if "TELCO" was able to benefit from similar

reduction in its wage rate, such a reduction would recover an additional 14.5 percent of "TELCO's" direct SFAS-106 costs. GTE accepted this conclusion and will not seek exogenous recovery on 14.5 percent of its SFAS-106 incremental costs because of the expected national wage rate reduction.

(13) Responding to paragraph 29, the required data for GTE is furnished in Attachment VI.

Paragraph 29 asks LECs to provide information on their average total compensation per employee and the amount OPEBs represents of this total compensation. Similar information on the economy as a whole is requested.

In responding to paragraph 29, GTE provides the information requested for 1993.¹⁷ The impact of SFAS-106 on wage changes is reflected in the adjustment mentioned in the GTE's answer to paragraph 28. USTA's Direct Case in this proceeding, Attachment B (at 4) and Attachment C show that great efforts were taken to allow for the fact that all workers represented in the economy as a whole will not earn similar benefit levels as LEC employees. Any wage based factor created by the Commission should also allow for benefit level differences and the adjustment already included in LEC exogenous claims.

¹⁷ The information on the economy as a whole is presented in Southwestern Bell's Direct Case in the instant proceeding, Attachment 11, *U.S. Economy Compensation Per Employee*, at 2.

- (14) Responding to paragraph 30, GTE maintains that by using conservative estimates in its exogenous claim, conducting a periodic review of actual results versus estimates, and a true-up of the exogenous claim for significant variances, the ratepayer will be made whole for any temporary over-accrual.**

Paragraph 30 points out that OPEBs generally represents non-cash expenses that may never be paid. LECs are asked to describe provisions they have made, if any, to return to ratepayers the over-accrual of the non-cash expenses if exogenous treatment is given for these amounts. LECs should describe any plans they have to return such monies to customers through voluntary PCI reductions or other means. LECs were requested to describe how these gains from such over-accruals are recognized on their books of account.

In responding to paragraph 30, GTE reiterates its position that SFAS-106 estimates are conservative, grounded in fact, and are a factor inherent in other currently accepted methods of accounting such as depreciation and pension.

GTE understands that there is the potential for estimates to vary from actual experience. In that event the *1993 GTE Filings* describe how GTE proposes to monitor potential variances and adjust for significant issues through a true-up process.

Given the conservative nature of the estimates used, there is always the potential for the exogenous request to understate the actual impact of SFAS-106 requiring an increase in future tariff filings. Such is the result of using estimates. This fact was addressed in *Southwestern Bell*. The Court questioned the Commission in its rejection of exogenous treatment because of the use of "highly speculative" estimates.

The Court found that this "should lead to complete rejection only if there was no way of obtaining even conservative estimates...."¹⁸

Through the use of conservative estimates, a regular review of the exogenous claim, and a change to the claim for significant issues GTE maintains that the ratepayer will be made whole.

(15) Responding to paragraph 31, GTE maintains that as contracts are renegotiated and benefit levels change, assumptions used to calculate SFAS-106 impacts are similarly adjusted on an annual basis. These contract changes are efficiently summarized in the annual valuation and submitting contracts to the Commission is an inefficient use of resources.

Paragraph 31 points out that the accrual calculations used by companies to develop their claims for exogenous treatment for SFAS-106 amounts are, in part, based on the OPEBs provided pursuant to contracts between the companies and their employees. Since contracts will be renegotiated over time, OPEBs benefit levels could change. The Commission notes that these future changes could affect future accruals and could be useful in comparing prior calculated accruals to the revised OPEBs accruals to aid in determining whether former calculations were reasonable. In particular the Commission is interested in determining whether the underlying actuarial assumptions have changed. Thus the Commission requests LECs to document any and all changes made in OPEBs offerings to employees. Any new contracts with employees and their representative unions shall be submitted as they are negotiated.

GTE has supplied the Summary of Plan Provisions for Retiree Welfare Valuations dated January 1, 1993. (See Attachment II.) These are the provisions that

¹⁸ *Southwestern Bell*, 28 F.3d at 172.

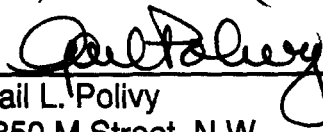
would have been in place for valuation results included in GTE's claim for exogenous treatment. This document is produced every year by GTE's outside actuary based on current management benefits and the most current contracts between GTE and its unions. This summary provides, in a very efficient manner, all factors necessary in valuing GTE's SFAS-106 liability. This document is presented in-lieu of a copy of each bargaining unit contract.

Respectfully submitted,

GTE Service Corporation and its affiliated
domestic telephone operating companies

Richard McKenna, HQE03J36
GTE Service Corporation
P.O. Box 152092
Irving, TX 75015-2092
(214) 718-6362

By


Gail L. Polivy
1850 M Street, N.W.
Suite 1200
Washington, DC 20036
(202) 463-5214

August 14, 1995

Their Attorneys

ATTACHMENT I

EMPLOYEE BENEFIT PLANS

6. Employee Benefit Plans

The Company participates in the Parent Company's trustee pension plan (the Plan), which covers substantially all employees. The benefits are based on an employee's years of service and average earnings for the five highest consecutive calendar years preceding retirement. The Company's policy is to fund pension cost in accordance with applicable regulations. Total pension costs for 1992 and 1991 were \$2.2 million and \$3.1 million, respectively.

The net assets available for benefits are maintained for the total Plan, but not by subsidiary. The Plan's net assets available for benefits exceeded projected benefit obligations as computed under SFAS No. 87 "Employers' Accounting for Pensions" as of the last valuation made by an actuary.

The Company participates in a plan administered by the Parent Company which provides certain health care and life insurance benefits for substantially all retired employees. The costs of providing these benefits were approximately \$2.0 million and \$1.6 million for 1992 and 1991, respectively. Life insurance benefits for retirees are provided through an insurance company whose premiums are based on the claims experience of the participants. The Company recognizes the cost of providing these benefits in the year paid by expensing the annual life insurance premiums.

Effective January 1, 1993, the Company will adopt SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". The new standard requires that the expected costs of these benefits be charged to expense during the years that employees render service. Commencing January 1, 1993, the unrecorded accumulated postretirement benefit obligation of \$61.3 million will be amortized over twenty years.

Annual postretirement benefit cost computed in accordance with SFAS No. 106 is estimated to be \$10.3 million for 1993. However, the Company has not yet determined the effect that adoption of SFAS No. 106 will have on its results of operations due to uncertainty as to the Company's ability to recover the increased costs in its rates and tariffs, which requires the approval of regulators.

6. Employee Benefit Plans

The Company participates in the Parent Company's trustee pension plan (the Plan), which covers substantially all employees. The benefits are based on an employee's years of service and average earnings for the five highest consecutive calendar years preceding retirement. The Company's policy is to fund pension cost in accordance with applicable regulations. Total pension costs for 1992 and 1991 were \$53,000 and \$70,000, respectively.

The net assets available for benefits are maintained for the total Plan, but not by subsidiary. The Plan's net assets available for benefits exceeded projected benefit obligations as computed under SFAS No. 87 "Employers' Accounting for Pensions" as of the last valuation made by an actuary.

The Company participates in a plan administered by the Parent Company which provides certain health care and life insurance benefits for substantially all retired employees. The costs of providing these benefits were approximately \$67,000 and \$52,000 for 1992 and 1991, respectively. Life insurance benefits for retirees are provided through an insurance company whose premiums are based on the claims experience of the participants. The Company recognizes the cost of providing these benefits in the year paid by expensing the annual life insurance premiums.

Effective January 1, 1993, the Company will adopt SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". The new standard requires that the expected costs of these benefits be charged to expense during the years that employees render service. Commencing January 1, 1993, the unrecorded accumulated postretirement benefit obligation of \$2.2 million will be amortized over twenty years.

Annual postretirement benefit cost computed in accordance with SFAS No. 106 is estimated to be \$0.4 million for 1993. On January 29, 1992, the SCPSC approved the full adoption of SFAS No. 106 for accounting and ratemaking purposes effective beginning with the 1991 monitoring period.

7. **Employee
Benefit Plans
(Continued)**

The projected benefit obligations at December 31, 1992 and 1991 include accumulated benefit obligations of \$374.4 million and \$348.2 million and vested benefit obligations of \$315.2 million and \$289.0 million, respectively.

Postretirement Benefits Other Than Pensions

The Company generally provides health care and life insurance benefits to retirees. Benefits for eligible retirees are expensed as paid and amounted to \$8.0 million, \$7.5 million and \$6.9 million for 1992-1990, respectively.

Effective January 1, 1993, the Company will adopt SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The new standard requires that the expected costs of these benefits be charged to expense during the years that employees render service. Commencing January 1, 1993, the

estimated unrecorded accumulated postretirement benefit obligation of \$331.5 million will be amortized over twenty years.

Annual postretirement benefit cost computed in accordance with SFAS No. 106 is estimated to be \$52.1 million for 1993. The FPSC's January 21, 1993 rate case order approved SFAS No. 106 costs for accounting and ratemaking purposes. However, the FPSC deferred \$10 million of the incremental intrastate costs, which will be amortized over four years commencing in 1994.

Savings Plans

The Company sponsors savings plans under Section 401(k) of the Internal Revenue Code. The plans cover substantially all full-time employees. Amounts charged to income were \$6.0 million, \$5.7 million and \$2.3 million in 1992-1990, respectively.

8. Employee Benefit Plans

RETIREMENT PLANS

The Company has trustee, noncontributory, defined benefit pension plans covering substantially all employees. The benefits to be paid under these plans are generally based on years of credited service and average final earnings. The Company's funding policy, subject to the minimum funding requirements

of U.S. employee benefit and tax laws, is to contribute such amounts as are determined on an actuarial basis to provide the plans with assets sufficient to meet the benefit obligations of the plans. The assets of the plans consist primarily of corporate equities, government securities and corporate debt securities.

The net pension credits for 1993-1991 include the following components:

	1993	1992	1991
	(Thousands of Dollars)		
Service cost-benefits earned during the period	\$ 20,939	\$ 20,350	\$ 20,781
Interest cost on projected benefit obligations	44,428	42,338	39,261
Actual return on plan assets	(141,365)	(49,229)	(156,517)
Other - net	56,390	(29,843)	88,822
Net pension credit	\$ (19,608)	\$ (16,384)	\$ (7,653)

The expected long-term rate of return on plan assets was 8.25% for 1993 and 1992 and 8.0% in 1991.

The funded status of the plans at December 31, 1993 and 1992 was as follows:

	1993	1992
	(Thousands of Dollars)	
Plan assets at fair value	\$ 904,013	\$ 887,966
Projected benefit obligation	536,199	554,270
Excess of assets over projected obligation	367,814	333,696
Unrecognized net transition asset	(67,496)	(84,249)
Unrecognized net gain	(259,894)	(228,944)
Prepaid pension cost	\$ 48,424	\$ 20,503

The projected benefit obligations at December 31, 1993 and 1992 include accumulated benefit obligations of \$401.3 million and \$374.4 million and vested benefit obligations of \$343.5 million and \$315.2 million, respectively.

Assumptions used to develop the projected benefit obligations at December 31, 1993 and 1992 were as follows:

	1993	1992
Discount rate	7.5 %	8.0 %
Rate of compensation increase	5.25%	6.0%

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

As described in Note 1, effective January 1, 1993, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Substantially all of the Company's employees are covered under postretirement health care and life insurance benefit plans. The health care benefits paid under the plans are generally based on comprehensive hospital, medical and surgical benefit provisions, while the life insurance benefits are currently based on annual earnings at the time of

**8. Employee
Benefit Plans
(Continued)**

retirement. The Company funds amounts for postretirement benefits as deemed appropriate from time to time.

The postretirement benefit cost for 1993 includes the following components (in thousands of dollars):

	1993
Service cost-benefits earned during the period	\$ 8,581
Interest cost on accumulated postretirement benefit obligation	25,017
Amortization of transition obligation	15,432
Postretirement benefit cost	\$ 49,030

During 1992 and 1991, the cost of postretirement health care and life insurance benefits on a pay-as-you-go basis was \$8.0 million and \$7.5 million, respectively.

The following table sets forth the plans' funded status and the accrued obligation as of December 31, 1993 (in thousands of dollars):

	1993
Accumulated postretirement benefit obligation attributable to:	
Retirees	\$ 173,478
Fully eligible active plan participants	2,851
Other active plan participants	156,848
Total accumulated postretirement benefit obligation	333,177
Fair value of plan assets	194
Excess of accumulated obligation over plan assets	332,983
Unrecognized transition obligation	(256,701)
Unrecognized net loss	(33,893)
Accrued postretirement benefit obligation	\$ 42,389

The assumed discount rate used to measure the accumulated postretirement benefit obligation was 7.5% at December 31, 1993. The expected long-term rate of return on plan assets was 8.25% for 1993. The assumed health care cost trend rate in 1993 was 13% for pre-65 participants and 9.5% for post-65 retirees, each rate declining on a graduated basis to an ultimate rate in the year 2004 of 6%. A one percentage point increase in the assumed health care cost trend rate for each future year would have increased 1993 costs by \$5.6 million and the accumulated postretirement benefit obligation at December 31, 1993 by \$45.4 million.

During 1993, the Company made certain changes to its postretirement health care and life insurance benefits for non-union employees that are effective January 1, 1995. These changes include, among others, newly established limits to the Company's annual contribution to postretirement medical costs and a revised sharing schedule based on a retiree's years of service. The net effect of these changes reduced the accumulated benefit obligation at December 31, 1993 by \$46.0 million.

SAVINGS PLANS

The Company sponsors savings plans under section 401(k) of the Internal Revenue Code. The plans cover substantially all full-time employees. Under the plans, the Company provides matching contributions in GTE common stock based on qualified employee contributions. Matching contributions charged to income were \$5.4 million, \$6.0 million and \$5.7 million in the years 1993-1991, respectively.

7. **Employee Benefit Plans** (Continued) The projected benefit obligation at December 31, 1992 and 1991 includes accumulated benefit obligations of \$255.6 million and \$233.8 million and vested benefit obligations of \$219.2 million and \$197.4 million, respectively.

Postretirement Benefits Other Than Pensions

The Company generally provides health care and life insurance benefits to retirees. Benefits for eligible retirees are expensed as paid and amounted to \$4.4 million, \$4.4 million and \$3.9 million for 1992-1990, respectively.

Effective January 1, 1993, the Company will adopt SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The new standard requires that the expected costs of these benefits be charged to expense during the years that employees render service. Commencing January 1, 1993, the estimated unrecorded accumulated postretirement benefit obligation of \$248.2 million will be amortized over twenty years.

Annual postretirement benefit cost computed in accordance with SFAS No. 106 is estimated to be \$38.0 million for 1993. The Company has not yet determined the effect that adoption of SFAS No. 106 will have on its results of operations due to uncertainty as to the Company's ability to recover the increased costs in its rates and tariffs, which require the approval of regulators. However, on September 13, 1991, the South Carolina Public Service Commission (SCPSC) approved the adoption of SFAS No. 106 for accounting and ratemaking purposes. In addition, the SCPSC allowed recovery of a portion of the Company's transitional benefit obligation (TBO) during 1991 and 1992.

Savings Plans

The Company sponsors savings plans under Section 401(k) of the Internal Revenue Code. The plans cover substantially all full-time employees. Amounts charged to income were \$3.8 million, \$2.6 million and \$1.8 million in 1992-1990, respectively.

8. **Commitments and Contingencies** The Company's construction budget for 1993 is estimated to be approximately \$210 million, for which the Company had substantial purchase commitments as of December 31, 1992.

The Company has noncancelable lease contracts covering certain buildings, office space and equipment. The lease contracts contain varying renewal options for terms up to 33 years.

Minimum rental commitments for noncancelable leases for periods subsequent to December 31, 1992 are as follows (in thousands of dollars):

1993	\$ 2,171
1994	1,192
1995	673
1996	323
1997	304
Thereafter	618
<hr/>	
Total minimum rental commitments	\$ 5,281

The total amount of rents charged to expense was \$13.2 million, \$16.0 million and \$17.0 million for 1992-1990, respectively.

9. Employee Benefit Plans

RETIREMENT PLANS

The Company has trustee, noncontributory, defined benefit pension plans covering substantially all employees. The benefits to be paid under these plans are generally based on years of credited service and average final earnings. The Company's funding policy, subject to the minimum funding requirements

of U.S. employee benefit and tax laws, is to contribute such amounts as are determined on an actuarial basis to provide the plans with assets sufficient to meet the benefit obligations of the plans. The assets of the plans consist primarily of corporate equities, government securities and corporate debt securities.

The net pension credits for 1993-1991 include the following components:

	1993	1992	1991
	(Thousands of Dollars)		
Service cost-benefits earned during the period	\$ 17,437	\$ 13,451	\$ 14,154
Interest cost on projected benefit obligations	35,616	28,509	26,587
Actual return on plan assets	(96,664)	(32,904)	(106,268)
Other - net	31,472	(19,747)	60,123
Net pension credit	\$ (12,139)	\$ (10,691)	\$ (5,404)

The expected long-term rate of return on plan assets was 8.25% for 1993 and 1992 and 8.0% in 1991.

The funded status of the plans at December 31, 1993 and 1992 was as follows:

	1993	1992
	(Thousands of Dollars)	
Plan assets at fair value	\$ 626,978	\$ 598,554
Projected benefit obligation	373,787	372,658
Excess of assets over projected obligation	253,191	225,896
Unrecognized net transition asset	(42,284)	(57,286)
Unrecognized net gain	(167,313)	(149,287)
Prepaid pension cost	\$ 43,594	\$ 19,323

The projected benefit obligations at December 31, 1993 and 1992 include accumulated benefit obligations of \$281.7 million and \$255.6 million and vested benefit obligations of \$249.6 million and \$219.2 million, respectively.

Assumptions used to develop the projected benefit obligations at December 31, 1993 and 1992 were as follows:

	1993	1992
Discount rate	7.5 %	8.0%
Rate of compensation increase	5.25%	6.0%

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

As described in Note 1, effective January 1, 1993, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Substantially all of the Company's employees are covered under postretirement health care and life insurance benefit plans. The health care benefits paid under the plans are generally based on comprehensive hospital, medical and surgical benefit provisions, while the life insurance benefits are currently based on annual earnings at the time of retirement. The Company funds

**9. Employee
Benefit Plans
(Continued)**

amounts for postretirement benefits as deemed appropriate from time to time.

The postretirement benefit cost for 1993 includes the following components (in thousands of dollars):

	1993
Service cost-benefits earned during the period	\$ 4,537
Interest cost on accumulated postretirement benefit obligation	13,939
Actual return on plan assets	(538)
Amortization of transition obligation	8,588
Postretirement benefit cost	\$ 26,526

In each of the years 1992 and 1991, the cost of postretirement health care and life insurance benefits on a pay-as-you-go basis was \$4.4 million.

The following table sets forth the plans' funded status and the accrued obligation as of December 31, 1993 (in thousands of dollars):

	1993
Accumulated postretirement benefit obligation attributable to:	
Retirees	\$ 112,498
Fully eligible active plan participants	12,510
Other active plan participants	56,141
Total accumulated postretirement benefit obligation	181,149
Fair value of plan assets	6,178
Excess of accumulated obligation over plan assets	174,971
Unrecognized transition obligation	(132,857)
Unrecognized net loss	(23,289)
Accrued postretirement benefit obligation	\$ 18,825

The assumed discount rate used to measure the accumulated postretirement benefit obligation was 7.5% at December 31, 1993. The expected long-term rate of return on plan assets was 8.25% for 1993. The assumed health care cost trend rate in 1993 was 13% for pre-65 participants and 9.5% for post-65 retirees, each rate declining on a graduated basis to an ultimate rate in the year 2004 of 6%. A one percentage point increase in the assumed health care cost trend rate for each future year would have increased 1993 costs by \$3.1 million and the accumulated postretirement benefit obligation at December 31, 1993 by \$22.1 million.

During 1993, the Company made certain changes to its postretirement health care and life insurance benefits for non-union employees that are effective January 1, 1995. These changes include, among others, newly established limits to the Company's annual contribution to postretirement medical costs and a revised sharing schedule based on a retiree's years of service. The net effect of these changes reduced the accumulated benefit obligation at December 31, 1993 by \$38.9 million.

SAVINGS PLANS

The Company sponsors savings plans under section 401(k) of the Internal Revenue Code. The plans cover substantially all full-time employees. Under the plans, the Company provides matching contributions in GTE common stock based on qualified employee contributions. Matching contributions charged to income were \$2.9 million, \$3.8 million and \$2.6 million in the years 1993-1991, respectively.

ATTACHMENT II

**SUMMARY OF PLAN PROVISIONS FOR JANUARY 1, 1993
RETIREE WELFARE VALUATION**

GTE CORPORATION

**Summary of Plan Provisions for
January 1, 1993 Retiree Welfare Valuation**

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AG/CSC	12
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Other GTE	15

GTE CORPORATION

Summary of Plan Provisions for January 1, 1993 Retiree Welfare Valuation -- GTE Telops

MEDICAL PLAN

Eligibility Retirement with 15 years and sum of age plus service total at least 76; or age 65 with 5 years of service.

Exception: For Hawaii, completion of 15 years of service (any age) or age 60.

Dependent Eligibility Eligibility continues beyond retiree's death.

Pre-65 benefits Varies by retirement date and plan.

Post-65 benefits Varies by retirement date and plan; coordinated with Medicare on a "Standard COB" basis for pre-1990 retirees, and on a "carve out" basis for post-1989 retirees.

Postretirement contributions Future Non-union Retirees: Service-related contributions as a percentage of gross costs as follows (except for GTE Alaska and GTE Supply):

<u>Years of service at retirement</u>	<u>Retiree Contribution Percentage</u>	
	<u>Retiree</u>	<u>Spouse</u>
< 10	100%	100%
10 - 14	80	80
15 - 19	60	60
20 - 24	40	40
25 - 29	20	20
30 +	10	10

Alaska retirees:

Pre-65 contribution: 100% of gross costs for retiree/spouse.

Post-65 contribution: per above service-related schedule.

GTE Supply non-union:

Pre-65 contribution: 50% of gross costs for retiree/spouse.

Post-65 contribution: \$120/person.

Current Non-union Retirees: contribution requirements vary depending upon legal entity, date of retirement and age at retirement as summarized in Exhibit A.

Future Union Retirees: contributions vary by state/legal entity as summarized in Exhibit B.

Current Union Retirees: any differences in contributions required of current retirees vs. future retirees are summarized in Exhibit B.

GTE Corporation
 Summary of Plan Provisions for
 January 1, 1993 Retiree Welfare Valuation -- GTE Telops

**REIMBURSEMENT OF
 MEDICARE PART B
 PREMIUMS**

Eligibility	Hawaii retirees only, who "retire" after completing 15 years of service or attainment of age 60.
Benefit	Reimbursement of Medicare Part B premiums for both retiree and spouse. For 1993, Medicare Part B premium is \$439 per person age 65 and over.

**POSTRETIREMENT
 LIFE INSURANCE**

Eligibility	Same as for medical plan.
Benefit	Life insurance for GTE Telops retirees is a percentage of average basic annual salary for 5 years prior to retirement:

	<u>Hawaii Union</u>	<u>All Others</u>
First 5 years after retirement	50%	75%
Year 6	45	65
Year 7	40	55
Year 8	35	45
Year 9	30	35
Year 10 and later	30	30

For retirements after age 65, the reduction schedule assumes age 65 retirement.

GTE CORPORATION -- NON-UNION EMPLOYEES

**Summary of Retiree Medical Plan Contribution Requirements
as of January 1, 1993**

<u>Legal Entity</u>	<u>State/Study Area</u>	<u>Subgroup</u>	<u>Pre-65 Contributions</u>		<u>Post-65 Contributions</u>	
			<u>Retiree</u>	<u>Spouse</u>	<u>Retiree</u>	<u>Spouse</u>
GTE Alaska	Alaska	Pre-1990 retirees	\$918	\$1,297	\$120*	\$120*
		Post-1989 retirees	100%	100%	Service-Related	
GTE California	CA, GTEL	Pre-1990 retirees	\$0	\$0	\$120*	\$120*
GTE Florida	FL, GTECC	Post-1989 retirees	Service-Related	Service-Related	Service-Related	Service-Related
GTE Hawaii	HI					
GTE Midwest	IA, MN, MO, NE					
GTE South	AL, GA, KY, NC, SC, TN, VA, WV					
GTE Southwest	AR, NM, OK, TX					
GTEDS	GTEDS					
Telecom Marketing	Telecom Marketing					
GTE North	GTE IL, IN, MI, OH, PA, WI	Pre-1990 retirees	\$0	\$0	\$120*	\$120*
		Post-1989 retirees	Service-Related		Service-Related	
	Contel IL, IN, PA (excluding Quaker State)	All retirees	\$0	\$0	\$0	\$0
GTE Northwest	ID, MT, OR, WA, West Coast-CA	Pre-4/1/90 retirees:				
		Under 62 at retirement	100%	100%	\$120*	\$120*
		Age 62+ at retirement	10%	10%	\$120*	\$120*
		4/1/90-12/31/92 retirees:				
		Under 62 at retirement	100%	100%	Service-Related	
		Age 62+ at retirement	10%	10%	Service-Related	
GTE Supply	GTE Supply	Pre-1990 retirees	\$0	\$0	\$120*	\$120*
		Post-1989 retirees	50%	50%	\$120*	\$120*
General Office Vantage	Execs and Non-execs	Pre-1990 retirees	\$390*	\$918*	\$120*	\$120*
		Post-1989 retirees	Service-Related		Service-Related	

* Non-indexed

GTE CORPORATION -- UNION EMPLOYEES

**Summary of Retiree Medical Plan Contribution Requirements
as of January 1, 1993**

Legal Entity	State/Study Area	Subgroup	Pre-85 Contributions		Post-85 Contributions	
			Retiree	Spouse	Retiree	Spouse
GTE California	CA, GTEL	Under 60 at retirement	100%	100%	\$120*	\$120*
		Age 60+ at retirement	0%	100%	\$120*	\$120*
GTE Florida	FL, GTECC	Pre-1990 retirees	\$0	\$0	\$120*	\$120*
GTE Southwest	AR, NM, OK, TX	Post-1989 retirees	Service-related		Service-related	
GTE Hawaii	HI	All	\$0	\$0	\$0	\$0
GTE Midwest	IA, MN, MO, NE	Pre-1993 retirees:				
		Under 60 at retirement	100%	100%	\$120*	\$120*
		Age 60+ at retirement	0%	100%	\$120*	\$120*
		Post-1992 retirees:				
		Under 60 at retirement	100%	100%	\$120*	\$120*
		Age 60+ at retirement	0%	0%	\$120*	\$120*
GTE North	GTE Illinois	Pre-11/17/91 retirees:				
		Under 60 at retirement	100%	100%	\$120*	\$120*
		Age 60+ at retirement	0%	100%	\$120*	\$120*
		Post-11/16/91 retirees:				
		Under 60 at retirement	100%	100%	\$120*	\$120*
		Age 60+ at retirement	0%	0%	\$120*	\$120*
GTE North	GTE Indiana	CWA retirees:				
		Under 62 at retirement	100%	100%	\$120*	\$120*
		Age 62+ at retirement	0%	0%	\$120*	\$120*
		IBEW retirees:				
		Under 60 at retirement	100%	100%	\$120*	\$120*
		Age 60+ at retirement	0%	0%	\$120*	\$120*
GTE North	GTE Michigan	Pre-8/11/91 retirees:				
		Under 60 at retirement	100%	100%	\$120*	\$120*
		Age 60+ at retirement	0%	100%	\$120*	\$120*
		Post-8/10/91 retirees:				
		Under 60 at retirement	100%	100%	\$120*	\$120*
		Age 60+ at retirement	0%	0%	\$120*	\$120*
GTE North	GTE Ohio	All	25%	28%	\$120*	\$120*
GTE North	GTE Pennsylvania	Under 62 at retirement	96%	92%	\$120*	\$120*
		Age 62+ at retirement	0%	0%	\$120*	\$120*

* Non-indexed

GTE Telops -- Union Employees
Summary of Retiree Medical Plan
Contribution Requirements as of January 1, 1993

EXHIBIT B
(continued)

<u>Legal Entity</u>	<u>State/Study Area</u>	<u>Subgroup</u>	<u>Pre-65 Contributions</u>		<u>Post-65 Contributions</u>	
			<u>Retiree</u>	<u>Spouse</u>	<u>Retiree</u>	<u>Spouse</u>
GTE North	GTE Wisconsin	Pre-1994 retirees:				
		Under 62 at retirement	100%	100%	\$120*	\$120*
		Age 62+ at retirement	0%	0%	\$120*	\$120*
		Post-1993 retirees:				
		Under 60 at retirement	100%	100%	\$120*	\$120*
GTE North	Contel IL, IN, PA (excluding Quaker State)	All retirees	\$0	\$0	\$0	\$0
GTE Northwest	ID, MT, OR, WA, West Coast-CA	Pre-4/1/90 retirees:				
		Under 62 at retirement	100%	100%	\$120*	\$120*
		Age 62+ at retirement	10%	10%	\$120*	\$120*
		4/1/90 to 12/31/93 retirees:				
		Under 62 at retirement	100%	100%	Service-Related	
		Age 62+ at retirement	10%	10%	Service-Related	
		1/1/94 and later retirees:				
		Under 60 at retirement	100%	100%	Service-Related	
GTE South	Kentucky	Pre-1/1/91 CWA retirees:	\$191*	\$393*	\$120*	\$120*
		All others:	20.3%	24.8%	\$120*	\$120*
GTE South	AL, GA, NC, SC, TN, VA, WV	All retirees	32.1%	35.4%	\$120*	\$120*
GTE Supply	GTE Supply	Pre-1993 retirees	50%	50%	100%	100%
		Post-1992 retirees	50%	50%	75%	75%

* Non-indexed

GTE CORPORATION

Summary of Plan Provisions for January 1, 1993 Retiree Welfare Valuation--Contel Telops

MEDICAL PLAN

Eligibility

Non-union: Retirement with 15 years and sum of age plus service total at least 76; or age 55 with 10 years of service; or age 65 with 5 years of service.

Union: Same as non-union.

Dependent Eligibility

Eligibility continues beyond retiree's death.

Pre-65 benefits

For pre-1989 retirees and "grandfathered" active employees who at 1/1/89 had completed 25 years of service or were age 55 with 15 or more years of service: reasonable and customary comprehensive plan ("old plan").

For post-3/1/93 union retirees of Contel New York and Vermont: Choices Option #1 comprehensive plan.

For other retirees: comprehensive plan with frozen 1989 reasonable and customary schedule and \$50,000 annual benefit maximum per person ("new plan"). Lifetime maximum of \$250,000. Coinsurance percentage is based on years of service at retirement:

Under 15 years of service	64% coinsurance
15-24 years of service	72% coinsurance
25 or more years of service	80% coinsurance

Post-65 benefits

Same as pre-65, coordinated with Medicare on a "Standard COB" basis.

Exception: For post-3/1/93 union retirees of Contel New York and Vermont, coordinated with Medicare on a "carveout" basis.

Postretirement contributions

None, except for post-3/1/93 union retirees of Contel New York and Vermont for whom contributions are as follows:

- Under 60 at retirement: GTE Telops service-related contribution schedule for both pre-65 and post-65 coverage
- Age 60 + at retirement: No contributions for pre-65 coverage; \$120 per year per person for post-65 coverage.

GTE Corporation
Summary of Plan Provisions for
January 1, 1993 Retiree Valuation--Contel Telops

**POSTRETIREMENT
LIFE INSURANCE**

Eligibility

Same as for medical plan.

Benefits

Pre-1989 retirees and grandfathered active employees:
100% of base pay rate at retirement (or, if greater, 50% of
active life insurance plan coverage)

Post-3/1/93 union retirees of Contel New York and Vermont:
same as for GTE Telops.

Other retirees: coverage based on years of service at
retirement:

Under 15 years of service	50% of final base pay
15 - 24 years of service	75% of final base pay
25 or more years of service	100% of final base pay

GTE CORPORATION

**Summary of Actuarial Assumptions and Methods for
January 1, 1993 Retiree Welfare Valuation**

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